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Message Text

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ORIGIN EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 COME-00 STR-07 ITC-01
CAB-02 CIAE-00 DODE-00 DOTE-00 INR-10 NSAE-00
FAA-00 L-03 TRSE-00 FTC-01 JUSE-00 SIL-01 LAB-04
SP-02 SS-15 NSC-05 H-01 /086 R

DRAFTED BY EB/OT/STA:WTDIROLL/JSSPIRO:JH
APPROVED BY EB/OT/STA:JSSPIRO
EB/ITP:WBARRACLOUGH
EB/OT:SAHMAD
EB/AV:JROBERTS
EB/OT:HKOPP
EUR/RPE:RLAMANTIA
COMM:BFRANCIES
STR:DABELSON
ITC:RCORNELL
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P 062150Z JUN 78
FM SECSTATE WASHDC
TO AMEMBASSY BONN PRIORITY
AMEMBASSY BRUSSELS PRIORITY
AMEMBASSY COPENHAGEN PRIORITY
AMEMBASSY DUBLIN PRIORITY
AMEMBASSY THE HAGUE PRIORITY
AMEMBASSY LONDON PRIORITY
AMEMBASSY LUXEMBOURG PRIORITY
AMEMBASSY ROME PRIORITY
AMEMBASSY PARIS PRIORITY
USMISSION GENEVA PRIORITY

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ALSO FOR USEEC, USOECD, USMTN

E.O. 11652: N/A
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TAGS: ETRD, EAIR

SUBJECT: ATEST DEVELOPMENT ON EASTERN CONTRACT TO
PURCHASE AIRBUSES AND BRITISH AND FRENCH BUY NATIONAL
POLICIES

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REF: (A) LONDON 7810, (B) PARIS 14490 (C) STATE 141766

1. ON APRIL 6, EASTERN AIRLINES ANNOUNCED THAT IT HAD AGREED TO PURCHASE 23 A 300S AT A COST OF $778,000,000, TO BE DELIVERED OVER THE NEXT 9 YEARS. THE PURCHASE ARRANGEMENT ALSO INCLUDES OPTIONS TO BUY AN ADDITIONAL 34 PLANES, ADDING UP TO A POTENTIAL PACKAGE VALUED AT $1.7 BILLION. THIS LARGE CONTRACT EVOKED COMPLAINTS FROM BUSINESS AND SOME MEMBERS OF CONGRESS THAT THERE WERE UNFAIR TRADE PRACTICES ASSOCIATED WITH THE SALE OF THE AIRBUS TO EASTERN. TO COUNTER THESE CHARGES, EASTERN RAN A FULL PAGE AD IN THE WASHINGTON POST ON APRIL 12 EMPHASIZING THE U.S. CONTENT SUCH AS GE ENGINES, U.S. ELECTRONICS AND U.S. MADE REPLACEMENT PARTS, IN ADDITION TO THE FUEL SAVING AND ENVIRONMENTAL ADVANTAGES OF THE PLANE.

2. CHAIRMAN VANIK OF THE TRADE SUBCOMMITTEE OF THE

HOUSE WAYS AND MEANS COMMITTEE HAS INFORMED THE DEPARTMENT THAT THE SUBCOMMITTEE PLANS TO HOLD HEARINGS IN JUNE ON THE INTERNATIONAL TRADE AND FINANCING ASPECTS OF AIRBUS SALES TO EASTERN (REF C). IF HE DOES, HE CAN BE EXPECTED TO LOOK INTO THE QUESTION OF AIRBUS INDUSTRIES A) EXPORT FINANCING, B) SUBSIDIZATION OF CONSTRUCTION COSTS, AND C) INDUCEMENTS TO EASTERN. THE INTERNATIONAL TRADE
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COMMISSION STAFF IS CONDUCTING AN INFORMAL INQUIRY IN RESPONSE TO A REQUEST FROM MEMBERS OF THE COMMISSION THAT THEY BE KEPT ADVISED OF THE DETAILS AND FACTS OF THE AIR-BUS SALE.

3. WITH THE CONCERN OVER AIRBUS IN MIND, THE DEPARTMENT APPRECIATES EMBASSY LONDON'S DETAILED REPORTING ON DEVELOP-MENTS IN THE U.K. REGARDING POSSIBLE PURCHASE BY BRITISH AIRWAYS OF BOEING 737, AND BRITISH THINKING ON FURTHER AIRCRAFT PROJECT DISCUSSED LONDON 7810 AND PREVIOUS. WE BELIEVE IT WOULD BE USEFUL TO REITERATE TO U.K. OFFICIALS THAT A GOVERNMENTAL DECISION REQUIRING PURCHASES OF DOMESTICALLY BUILT AIRCRAFT DESPITE COMMERCIAL DECISIONS BY BRITISH AIRLINES TO BUY AMERICAN AIRCRAFT WOULD BRING A STRONG REACTION IN THIS COUNTRY WHICH WOULD MANIFEST ITSELF DURING HEARINGS ON THE AIRBUS.

4. WHILE WE ARE IN NO POSITION TO COMMENT ON THE FUTURE AIRCRAFT PROGRAM DECISIONS FACING THE BRITISH GOVERNMENT, BRITISH OFFICIALS SHOULD UNDERSTAND THAT WE WOULD BE QUITE CONCERNED IF DECISIONS ARE MADE ON OTHER THAN COMMERCIAL GROUNDS. WHILE THE TREND IN AIRCRAFT MANU-

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FACTURE IS GOING IN THE DIRECTION OF INCREASING
INTERNATIONAL COOPERATION--LARGELY BECAUSE OF THE
ENORMOUS DEVELOPMENT COSTS, THIS COOPERATION SHOULD BE
BASED ON COMMERCIAL CONSIDERATIONS. DECISIONS
MADEON POLITICAL GROUNDS COULD WELL LEAD TO STRONG
NATIONALISTIC RESPONSES CREATING SERIOUS FRICTIONS BETWEEN
OURSELVES AND EUROPE.

5. FOR PARIS--THE GOF, HAVING FAR MORE OF A STAKE IN
AIRBUS SALES IN THE US THAN THE UK, SHOULD UNDERSTAND THAT
BUY NATIONAL AIRCRAFT POLICIES FOLLOWED BY THE GOF WILL
HARDLY CONTRIBUTE TO ATTITUDES REGARDING THE AIRBUS. IT
WOULD BE IN THE INTEREST OF THE GOF TO PERMIT AIR FRANCE
TO PROCURE THE AIRCRAFT IT IS SEEKING AND ATTEMPT TO
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RESOLVE DISAGREEMENTS WITH THE PILOTS UNION ON THE BOEING
737 AND NOT PUT BARRIERS IN THE WAY OF BOEING 727 PURCHASES
IF THAT BECOMES THE BEST AVAILABLE OPTION FOR AIR FRANCE. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, CONTRACTS, JET AIRCRAFT
Control Number: n/a
Copy: SINGLE
Draft Date: 06 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE143073
Document Source: CORE
Document Unique ID: 00
Drafter: WTDIROLL/JSSPIRO:JH
Enclosure: ALSO FOR USEEC, USOECD, AND USMTN
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780237-0409
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780689/aaaaczer.tel
Line Count: 139
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 61bee390-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 LONDON 7810, 78 PARIS 14490, 78 STATE 141766
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2466285
Secure: OPEN
Status: NATIVE
Subject: ATEST DEVELOPMENT ON EASTERN CONTRACT TO PURCHASE AIRBUSES AND BRITISH AND FRENCH BUY NATIONAL POLICIES
TAGS: ETRD, EAIR
To: BONN BRUSSELS MULTIPLE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/61bee390-c288-dd11-92da-001cc4696bcc
Review Markings:
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EO Systematic Review
20 Mar 2014
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